Government of Newfoundland and Labrador
Department of Finance

Newfoundland and Labrador Industrial Development Corporation

Annual Report

March 31, 2012

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NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION
P. O. Box 8700
St. John's, Newfoundland and Labrador
A1B 4J6

September 26, 2012

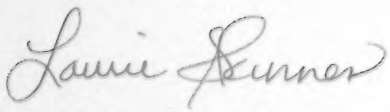
Honourable Thomas Marshall, Q.C.
Minister of Finance
Government of Newfoundland and Labrador
Confederation Building
St. John's, NL
A1B 4J6

Dear Minister Marshall:

On behalf of the Board of Directors, it is my pleasure to submit the Annual Report for the Newfoundland and Labrador Industrial Development Corporation summarizing the Corporation's activities for the fiscal year ended March 31, 2012. This report has been prepared in accordance with the provisions of Section 16 of the *Industrial Development Corporation Act* and Section 9 of the *Transparency and Accountability Act*.

The Board of Directors has approved the financial statements and information contained in this report, and the Board is accountable for the results reported herein.

Sincerely,



Laurie Skinner
Chair of the Board

Fax: (709) 729-2095 **Telephone: (709) 729-2926**

Newfoundland and Labrador
Industrial Development Corporation
Annual Report
March 31, 2012

CORPORATE OVERVIEW

The Newfoundland and Labrador Industrial Development Corporation (NIDC), established in 1967, has a broad mandate with respect to economic development in the province pursuant to the *Industrial Development Corporation Act.* While NIDC's primary purpose is to provide long-term financing to industrial and resource based projects, it can participate in a wide array of development projects for purposes as may be approved by the Lieutenant Governor in Council.

The affairs of NIDC are managed by a Board of Directors appointed by the Lieutenant Governor in Council. All Board members are employees of the Province.

The vision of the Department of Finance is of a vibrant and self-reliant economy and prosperous people. This is supported by NIDC. The mission of the Department of Finance is to support Government in its commitment to fiscal sustainability and a healthy economy for the Province. By March 31, 2014, NIDC will have continued to support the mission of the Department through its fiduciary oversight and approval of the corporation's financial statements.

Board Representation and Accountability

The affairs of NIDC are overseen by a Board of Directors appointed by the Lieutenant Governor in Council. All Board members are employees of the Province with the position of Chair held by the Deputy Minister of Finance. The Board meets no less often than annually and approves its Annual Financial Statements and Annual Report, both of which are then tabled in the House of Assembly by the Minister of Finance. The members of the Board as at March 31 and their positions are as follows:

Mr. Terry Paddon (Chair)
Deputy Minister of Finance

Mr. Brent Meade
Deputy Minister of Innovation,
Trade and Rural Development

Mr. Paul Myrden (Secretary)
Director of Debt Management
Department of Finance

Mr. Alastair O'Rielly
Deputy Minister of Fisheries & Aquaculture.

Ms. Laurie Skinner
Assistant Deputy Minister of Taxation and
Fiscal Policy
Department of Finance

Operational and Corporate Information

NIDC has no direct employees as the day-to-day affairs are administered by employees of the Department of Finance. Contact information is as follows:

Mailing Address:

Newfoundland and Labrador
Industrial Development Corporation
c/o Department of Finance
Confederation Building
East Block, Main Floor
P. O. Box 8700
St. John's, NL
A1B 4J6

Office Location:

Debt Management Division
Department of Finance
Confederation Building
East Block, Main Floor
Telephone: (709)-729-2927
Fax: (709) 729-2095

Departmental Website:

www.gov.nl.ca/fin

HIGHLIGHTS AND ACCOMPLISHMENTS

During fiscal year 2011-12, there were no new investments made or assistance provided by NIDC.

REPORT ON PERFORMANCE

NIDC is mandated to provide long-term financing to industrial and resource based projects. This is primarily achieved by entering into commercial investments or other financial arrangements which was the focus of NIDC's 2011-14 Activity Plan. In recent years NIDC has been relatively inactive because most investment activity has been undertaken either directly by the Province or through other Crown Corporations. The following section provides additional information on the activities of NIDC for 2011-12.

Objective:

By March 31, 2012, NIDC will have entered into commercial investments or other arrangements as directed by the Province.

Measure:

Commercial investments or other arrangements completed as directed by the Province.

Indicators:

- Board approval of completed transactions as documented and approved in the Annual Activity Report.

Result of 2011-12 Objective:

As there was no direction for such by the Province, no new investments were made during the year.

Objective - 2012-13:

By March 31, 2013, NIDC will have entered into commercial investments or other arrangements as directed by the Province.

Measure:

Commercial investments or other arrangements completed as directed by the Province.

Indicators:

- Board approval of completed transactions as documented and approved in the Annual Report.

OPPORTUNITIES AND CHALLENGES AHEAD

While NIDC has met its mandate pursuant to its enabling legislation, it remains available to be used from time to time to facilitate projects.

FINANCIAL STATEMENTS

NIDC's audited financial statements for the year ended March 31, 2012 are attached.

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

31 MARCH 2012

Office of the Auditor General

Management's Report

Management's Responsibility for Newfoundland and Labrador Industrial Development Corporation Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information on a quarterly basis and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Corporation, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Newfoundland and Labrador Industrial Development Corporation.

On behalf of the Newfoundland and Labrador Industrial Development Corporation

Laurie Skinner, CA
Chairperson

Paul Myrden, CA
Director, Debt Management

4 September 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Industrial
Development Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Industrial Development Corporation which comprise the statement of financial position as at 31 March 2012, 31 March 2011 and 1 April 2010, the statements of operations and accumulated surplus, and cash flows for the years ended 31 March 2012 and 31 March 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Industrial Development Corporation as at 31 March 2012, 31 March 2011 and 1 April 2010, and its financial performance and its cash flows for the years ended 31 March 2012 and 31 March 2011 in accordance with Canadian public sector accounting standards.

Sandra Russell

SANDRA RUSSELL, CA
Deputy Auditor General

4 September 2012
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

As at

	31 March 2012	31 March 2011	1 April 2010
	(000's)	(Note 2) (000's)	(Note 2) (000's)
FINANCIAL ASSETS			
Cash	$ 489	$ 437	$ 436
Accounts receivable (Note 5)	50	50	-
Investments, at amortized cost (Note 6)	3,500	3,500	3,500
	4,039	3,987	3,936
LIABILITIES			
Accounts payable and accrued liabilities	2	2	2
	2	2	2
Net financial assets	4,037	3,985	3,934
NON-FINANCIAL ASSETS	-	-	-
Accumulated surplus	$ 4,037	$ 3,985	$ 3,934

The accompanying notes are an integral part of these financial statements.

Signed on behalf of the Board: Laurie Skinner — **Chairperson**; **Director**

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended 31 March

	2012 Budget	2012 Actual	2011 Actual
	(Note 8) (000's)	(000's)	(Note 2) (000's)
REVENUES			
Lease income (Note 6)	$ 50	$ 50	$ 50
Interest and investment income	4	4	3
	54	54	53
EXPENSES			
Professional services	2	2	2
	2	2	2
Annual surplus	52	52	51
Accumulated surplus, beginning of year	3,985	3,985	3,934
Accumulated surplus, end of year	$ 4,037	$ 4,037	$ 3,985

The accompanying notes are an integral part of these financial statements.

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended 31 March

	2012 (000's)	2011 (Note 2) (000's)
Operating transactions		
Annual surplus	$ 52	$ 51
	52	51
Change in non-cash working capital		
Accounts receivable	-	(50)
Cash provided from operating transactions	52	1
Increase in cash	52	1
Cash, beginning of year	437	436
Cash, end of year	$ 489	$ 437

The accompanying notes are an integral part of these financial statements.

1. Nature of operations

The Newfoundland and Labrador Industrial Development Corporation (NIDC) operates under the authority of the *Industrial Development Corporation Act*. The primary purpose of NIDC is to provide long-term financing to industrial and resource-based companies. Funding is secured through various means including borrowing from the Province of Newfoundland and Labrador (Province).

The affairs of NIDC are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. NIDC is a Crown entity of the Province and as such is not subject to Provincial or Federal income taxes.

2. Conversion to Canadian Public Sector Accounting Standards

Commencing with the 2012 fiscal year, NIDC has adopted Canadian public sector accounting standards. These financial statements are the first financial statements for which NIDC has applied Canadian public sector accounting standards. The changeover became effective on 1 April 2011 with retroactive application to 1 April 2010.

The conversion affects primarily the presentation of the financial statements. There has been no change to the accumulated surplus at the date of transition due to the conversion to Canadian public sector accounting standards.

3. Changes in accounting standards: early adoption of released CICA Public Sector Accounting Handbook sections

NIDC elected to early adopt the following CICA Public Sector Accounting Handbook sections at the transition date.

(a) Section PS 3410 Revised, Government Transfers

Section PS 3410, *Government Transfers*, was amended by the Canadian Public Sector Accounting Board (PSAB) in December 2010. The main changes pertain to recognition criteria for government transfers, affecting how NIDC accounts for such transfers. These amendments are effective for fiscal years beginning on or after 1 April 2012 but earlier adoption is encouraged. NIDC decided to early adopt the section for the year ending 31 March 2012. This accounting change had no significant impact on NIDC's financial statements.

3. Changes in accounting standards: early adoption of released CICA Public Sector Accounting Handbook sections (cont.)

(b) Sections: PS 3450 Financial Instruments; PS 2601 Foreign Currency Translation; and PS 1201 Financial Statement Presentation

In March 2011, the PSAB approved new Section PS 3450, *Financial Instruments*, Section PS 2601 to replace current Section PS 2600, *Foreign Currency Translation* and Section PS 1201 to replace current Section PS 1200, *Financial Statement Presentation*. The three sections are effective for fiscal years beginning on or after 1 April 2012 for government organizations but earlier adoption is permitted. Government organizations are required to adopt the three sections in the same year. NIDC decided to early adopt these sections for the year ending 31 March 2012. This accounting change had no significant impact on NIDC's financial statements.

4. Summary of significant accounting policies

(a) Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the PSAB. NIDC does not prepare a statement of change in net financial assets as this information is readily apparent from the other statements. In addition, NIDC does not prepare a statement of remeasurement gains and losses as NIDC does not enter into relevant transactions or circumstances that are being addressed by the statement.

(b) Investments

NIDC invests in Icewater Seafoods Inc.. This investment is accounted for on the amortized cost basis with a provision being made for any decline in its value considered to be other than temporary. Any write-down of this portfolio investment to reflect a loss in value would not be reversed for a subsequent increase in value.

(c) Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

(d) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

5. Accounts receivable

	31 March 2012 (000's)	31 March 2011 (000's)	1 April 2010 (000's)
Icewater Seafoods Inc.	$ 50	$ 50	$ -

There is no allowance for doubtful accounts since all amounts are considered collectible.

6. Investments

	31 March 2012 (000's)	31 March 2011 (000's)	1 April 2010 (000's)
Icewater Seafoods Inc., 35,000 Preference Shares	$ 3,500	$ 3,500	$ 3,500

Icewater Seafoods Inc.

During 2004-05, NIDC was authorized by the Province to provide funding to Icewater Seafoods Inc. in the amount of $3,500,000 by way of a preference share investment in order to assist Icewater Seafoods Inc. in its acquisition of the Arnold's Cove seafood processing facility. These preference shares, having a par value of $100 per share, are non-voting and redeemable with annual, fixed, preferential and cumulative dividends. The Province advanced funding to NIDC for this investment, by way of two $1,750,000 grants. These grants were received in October 2004 and April 2005, with 17,500 preference shares purchased from each grant.

By Agreement dated 8 October 2004, NIDC has acquired for nominal consideration from High Liner Foods Incorporated, the previous operator of the Arnold's Cove seafood processing facility, its Enterprise Allocations, vessel designations and historic rights for Newfoundland and Labrador offshore fishing areas, as defined by the Agreement.

By separate lease Agreement, also dated 8 October 2004, NIDC leased these Enterprise Allocations, vessel designations and historic rights for Newfoundland and Labrador offshore fishing areas, to Icewater Seafoods Inc. and Icewater Harvesting Inc. This lease is for a period of twenty years at $50,000 each year and is subject to certain restrictions and conditions contained in the lease Agreement.

7. Financial instruments

NIDC's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, investments, and accounts payable and accrued liabilities. The carrying value of cash, accounts receivable and accounts payable and accrued liabilities approximate current fair value due to their nature and the short-term maturity associated with them and no further risk exists. Investments are carried at amortized cost as disclosed in Note 4(b).

Risk management

NIDC recognizes the importance of managing significant risks and this includes policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. Risks currently managed by NIDC are liquidity risk and credit risk.

Liquidity risk

Liquidity risk is the risk that NIDC will be unable to meet its contractual obligations and financial liabilities. NIDC manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its obligations and liabilities.

Credit risk

Credit risk is a risk of loss if a client cannot meet its obligation. NIDC is exposed to risk with respect to investments and lease income. NIDC has policies and procedures for the monitoring of its clients so as to mitigate any potential credit losses.

8. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors.

9. Related party transactions

NIDC is administered by employees of the Department of Finance. The costs of administration are paid directly by the Department. These costs are not material and are not reflected in these financial statements.

10. Distribution of earnings

Pursuant to Section 30 of the *Industrial Development Corporation Act,* the balance that the Minister of Finance considers to be available out of the net profits of NIDC is to be paid to the Province at such intervals and in a manner that the Minister may direct by notice to the Chairperson of the Board.

11. Comparative figures

Certain comparative figures as at 31 March 2011 and 1 April 2010 and for the year ended 31 March 2011 have been reclassified to conform to current year's presentation.